

## **The complaint**

Mr O complains that Santander UK Plc hasn't shown understanding and compassion. The term of his interest only mortgage has expired. Mr O asks that Santander allows him time to recover investments lost in the 2008 financial crash and applies a lower interest rate in the meantime.

## **What happened**

Mr O took out an interest only mortgage with Santander in 2004. In 2023 Mr O told Santander he couldn't maintain mortgage payments and a reduced payment arrangement was agreed. The term of Mr O's mortgage expired in early 2024 with an unpaid balance. Mr O says he intended to repay the mortgage through investments, but these failed in the 2008 financial crash. Mr O says he's fighting to get this money back.

Mr O wrote to Santander asking for information about his mortgage, including the original signed mortgage offer. He said he believed he'd taken out a repayment mortgage.

An ombudsman issued a final decision about Mr O's complaint that Santander didn't provide the information he requested – such as the original signed mortgage offer. I'm not looking into that again here. I'm only looking into Mr O's complaint about how Santander dealt with him when the term of his mortgage expired.

Santander said Mr O should stay in contact with its end of term team. It said if he's unable to maintain monthly interest payments its options are limited and it would take legal action if necessary. Santander said Mr O had equity in the property so he could downsize or take out an equity release product.

Our investigator didn't recommend that the complaint should be upheld. The investigator said it wasn't fair to require Santander to wait indefinitely for repayment of the balance, especially as Mr O had no credible repayment strategy and couldn't maintain interest payments. Our investigator said the mortgage was on an interest only basis and Santander was entitled to apply its follow-on rate, in accordance with the mortgage terms and conditions.

Mr O didn't agree and asked that an ombudsman re-consider the matter. Mr O said Santander was aware of his circumstances due to the 2008 financial crash and his requests for empathy.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

### *Is this an interest only mortgage?*

Santander sent to us and to Mr O copies of Mr O's mortgage application, mortgage offer, declaration and the mortgage terms and conditions from 2004. Mr O told us he'd intended to

repay the mortgage using investments. This is consistent with the mortgage application which says Mr O intended to repay the mortgage using investments.

Santander provided copies of letters sent to Mr O in 2017, 2019, 2021, 2023 and 2024 reminding him that the term of his mortgage was due to expire in February 2024.

The offer for the interest rate product Mr O took out in 2018 said the mortgage was on an interest only basis (as did previous product switch offers throughout the term of the mortgage). Santander provided copies of the annual mortgage statements it sent to Mr O which also say the mortgage was on an interest only basis.

I think Mr O took out an interest only mortgage and must reasonably have been aware of this. I think he was aware of when the term was due to expire and that he'd need to make plans to repay the balance.

*Should Santander allow Mr O more time to repay the mortgage?*

The term of Mr O's mortgage expired in February 2024 with an unpaid balance. Mr O is unable to maintain monthly interest payments. By mid-2024 Mr O's arrears (which is unpaid interest) were over £11,000. If Mr O is unable to pay the interest in full each month the amount he owes will continue to increase.

When Mr O took out the mortgage he agreed to repay it. It was reasonable for Santander to expect him to do so when the term expired in February 2024.

In early 2024 Mr O told Santander his partner had means to repay the mortgage. He said he had a lot of equity in the property and had a second property he could sell. He was hoping for compensation for mis-sold investments and said a family member was very unwell and he could potentially receive funds under the will. In May 2024 Mr O told Santander he was due an inheritance of about £125,000 which would be realised in about six months (which would be in November 2024). He says he'll have about £40,000 from the sale of a property overseas. And he hopes to recover about £200,000 lost in the 2008 financial crash through litigation. Santander said as there was no certainty as to when these funds might become available it was unable to hold action.

I don't think Santander was unreasonable or unfair when it didn't agree to give Mr O an extension or hold recovery action. Mr O hadn't provided evidence of a credible plan to repay the debt. Mr O didn't provide evidence that any action he's taking to recover the investments he says he lost in the 2008 financial crash (about 15 years ago) is likely to be successful, or when this might be. Mr O didn't provide evidence of the inheritance he says he's due or of the funds from a sale of an overseas property.

Santander says the property is worth about £645,000. This would provide Mr O with some equity towards another property if he sold the property and repaid the mortgage. Mr O can consider taking advice from an independent financial adviser to explore his options, which might include equity release or a lifetime mortgage. If Mr O does receive funds from an inheritance or a property sale and is able to reduce the mortgage balance, that might increase his options.

Mr O hasn't provided evidence of a credible plan to repay the mortgage. Mr O is unable to pay the interest due each month and his debt is increasing. I don't think it's fair and reasonable to require Santander to allow Mr O further time when this is likely to result in him being in a worse position with a larger debt to repay. I can't fairly require Santander to hold action or offer a term extension to Mr O.

### *Should Santander apply a lower interest rate?*

Mr O says he and his wife are unable to work due to disability and are on an extremely low income. He can only afford to pay about half of the interest applied each month. He hopes to be able to pay more when his pension increases. He asked Santander for a new interest rate while he tries to recover his losses from the 2008 financial crash.

Santander is applying its follow-on rate to the balance. That's in accordance with the mortgage terms and conditions and the product offer which Mr O accepted in early 2018. Interest rates increased significantly between Mr O taking out the product in early 2018 and the product expiring in May 2023, and have increased since. This meant the amount of interest applied each month and, therefore, Mr O's monthly payments also increased significantly (from about £415 to about £1,500).

I appreciate that Mr O has struggled with the higher payments. But I can't fairly find that Santander made an error when it applied its follow-on rate. Santander says it can't offer a new interest rate product as there's no remaining mortgage term. As I said, I can't fairly require Santander to offer a term extension when Mr O doesn't have a credible plan to repay the debt.

### *What happens now?*

Mr O has found it difficult to deal with Santander. He says he's been called at inconvenient times, and not called when Santander has said it would do so. Mr O says Santander hasn't been understanding or compassionate. And it withdrew a payment arrangement.

Santander says Mr O doesn't meet criteria for a payment arrangement. That means it didn't put a hold on it calling Mr O and sending letters about repayment of the debt.

Mr O is in a difficult position. He doesn't want to sell the property and downsize or take out an equity release product. He's at risk of Santander taking possession action with the costs and stress this would involve. I'd urge Mr O to consider taking independent financial advice about his options and to stay in contact with Santander. If Mr O is able to provide evidence of a credible plan to repay the mortgage within a reasonable period I'd expect Santander to take this into account when considering whether to hold action.

While I know Mr O will be disappointed, I don't think it's fair and reasonable in the circumstances to require Santander to hold recovery action or apply a lower interest rate to Mr O's mortgage.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 6 December 2024.

Ruth Stevenson  
**Ombudsman**